

**MINNESOTA AMERICAN LEGION FOUNDATION  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY  
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**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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## **ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
Minnesota American Legion Foundation and Subsidiary  
St. Paul, Minnesota

Management is responsible for the accompanying consolidated financial statements of Minnesota American Legion Foundation, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 8, 2016

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 216,211	\$ 132,442
Interest Receivable	8,263	9,176
Total Current Assets	224,474	141,618
<b>INVESTMENTS</b>		
	1,274,656	1,241,894
Total Assets	\$ 1,499,130	\$ 1,383,512
<b>LIABILITIES AND NET ASSETS</b>		
<b>NET ASSETS</b>		
Unrestricted	\$ 604,951	\$ 540,756
Temporarily Restricted	894,179	842,756
Total Net Assets	1,499,130	1,383,512
Total Liabilities and Net Assets	\$ 1,499,130	\$ 1,383,512

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Donor Contributions	\$ 29,262	\$ -	\$ 29,262	\$ 1,320	\$ -	\$ 1,320
Program Contributions	-	494,312	494,312	-	460,637	460,637
Interest Earned	19,456	-	19,456	25,189	-	25,189
Realized Loss on Investments	(548)	-	(548)	(4,927)	-	(4,927)
Unrealized Gain on Investments	34,516	-	34,516	9,273	-	9,273
Temporarily Restricted Net Assets Released	442,889	(442,889)	-	411,777	(411,777)	-
Total Support and Revenue	<u>525,575</u>	<u>51,423</u>	<u>576,998</u>	<u>442,632</u>	<u>48,860</u>	<u>491,492</u>
<b>EXPENSE</b>						
Program:						
Contributions	10,277	-	10,277	18,922	-	18,922
Direct Program Expenses	442,889	-	442,889	411,777	-	411,777
Total Program Expenses	<u>453,166</u>	<u>-</u>	<u>453,166</u>	<u>430,699</u>	<u>-</u>	<u>430,699</u>
Management and General:						
Mileage and Per Diem Expenses	2,790	-	2,790	2,647	-	2,647
Legal and Accounting	2,285	-	2,285	2,245	-	2,245
Administrative Expenses	2,903	-	2,903	2,000	-	2,000
Other	236	-	236	210	-	210
Total Management and General Expense	<u>8,214</u>	<u>-</u>	<u>8,214</u>	<u>7,102</u>	<u>-</u>	<u>7,102</u>
Total Expense	<u>461,380</u>	<u>-</u>	<u>461,380</u>	<u>437,801</u>	<u>-</u>	<u>437,801</u>
<b>CHANGE IN NET ASSETS</b>	64,195	51,423	115,618	4,831	48,860	53,691
Net Assets - Beginning of Year	<u>540,756</u>	<u>842,756</u>	<u>1,383,512</u>	<u>535,925</u>	<u>793,896</u>	<u>1,329,821</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 604,951</u>	<u>\$ 894,179</u>	<u>\$ 1,499,130</u>	<u>\$ 540,756</u>	<u>\$ 842,756</u>	<u>\$ 1,383,512</u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 115,618	\$ 53,691
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Investments	(34,516)	(9,273)
Realized Loss on Investments	548	4,927
Decrease in Current Assets:		
Interest Receivable	913	74
Decrease in Current Liabilities:		
Accounts Payable	-	(2,821)
Net Cash Provided by Operating Activities	82,563	46,598
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	394,548	209,287
Purchase of Investments	(393,342)	(214,641)
Net Cash Provided (Used) by Investing Activities	1,206	(5,354)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	83,769	41,244
Cash and Cash Equivalents - Beginning of Year	132,442	91,198
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 216,211	\$ 132,442

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Minnesota American Legion Foundation (the Organization) was formed in 1990 for the purpose of accumulating a trust to fund programs not already funded from traditional revenue sources, for Minnesota veterans and their families. In September 2006, the Minnesota American Legion Boys State Program, LLC was established as a single member LLC to hold the assets of Boys State. The Minnesota American Legion Foundation is the sole member of the LLC. The activities of this LLC are consolidated in these consolidated financial statements. Significant intercompany accounts and transactions have been eliminated in consolidation.

The summary of significant accounting policies of Minnesota American Legion Foundation and subsidiary are presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are a representation of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization has no permanently restricted net assets at this time.

**Cash and Cash Equivalents**

Cash and cash equivalents includes cash accounts and money market funds. The Organization maintains its accounts at one financial institution, which at times exceed the FDIC insured limit.

**Interest Receivable**

Interest receivable is stated at net realizable value.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

The Organization carries its investments at fair market value. Investments consist of fixed income securities including governmental and corporate securities and brokered certificates of deposit. The net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets.

**Contributions**

Contributions are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

**Functional Expense**

The Organization's costs of providing its services have been classified on a functional basis in the consolidated statements of activities. Expenses are not allocated since they have direct relationships to a particular functional expense.

**Tax Exempt Status**

The Minnesota American Legion Foundation is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Organization is a public charity and contributions to the Organization qualify as charitable tax deductions by the contributor. The Organization has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRS code. The Minnesota American Legion Boys State Program, LLC is a single member LLC and retains the same tax attributes as the Minnesota American Legion Foundation.

The Organization has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization has no current obligation for unrelated business income tax.



**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement**

The Organization accounts for its investments at fair value and has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.

The following tables present the fair value hierarchy for the balance of the assets of the Organization measured at fair value on a recurring basis as of September 30:

	2016			Total
	Level 1	Level 2	Level 3	
<b>INVESTMENTS</b>				
Money Market	\$ 1,923	\$ -	\$ -	\$ 1,923
Certificates of Deposit	-	377,934	-	377,934
Bonds - Foreign	-	75,467	-	75,467
Bonds - Corporate	-	818,435	-	818,435
Mutual Funds - Bond Fund	897	-	-	897
Total	<u>\$ 2,820</u>	<u>\$ 1,271,836</u>	<u>\$ -</u>	<u>\$ 1,274,656</u>

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
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**NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (Continued)**

	2015			
	Level 1	Level 2	Level 3	Total
<b>INVESTMENTS</b>				
Money Market	\$ 2,225	\$ -	\$ -	\$ 2,225
Certificates of Deposit	-	480,910	-	480,910
Bonds - Foreign	-	173,491	-	173,491
Bonds - Corporate		584,418	-	584,418
Mutual Funds- Bond Fund	850	-	-	850
Total	<u>\$ 3,075</u>	<u>\$ 1,238,819</u>	<u>\$ -</u>	<u>\$ 1,241,894</u>

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates used.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 8, 2016, the date the consolidated financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

Investments are comprised of the following at September 30:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 1,923	\$ 1,923	\$ 2,225	\$ 2,225
Certificates of Deposit	365,000	377,934	476,897	480,910
Bonds - Foreign	74,714	75,467	174,784	173,491
Bonds - Corporate	830,819	818,435	620,337	584,418
Mutual Funds - Bond Fund	907	897	874	850
Total	<u>\$ 1,273,363</u>	<u>\$ 1,274,656</u>	<u>\$ 1,275,117</u>	<u>\$ 1,241,894</u>

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
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**NOTE 3 RELATED PARTY TRANSACTIONS**

During both years ended September 30, 2016 and 2015, \$2,000 was paid to the American Legion Department of Minnesota for administrative services performed.

For the year ended September 30, 2016, the Organization contributed \$29,965 to the American Legion Brain Science Foundation as part of the commander's project.

For the year ended September 30, 2015, the Organization contributed \$10,000 to the Legionville School Safety Patrol Training Center, Inc. to help with storm damage.

**NOTE 4 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following purposes at September 30:

	2016	2015
American Legion Baseball Fund	\$ 40,417	\$ 41,647
Fund for Hospitalized Vets	71,779	64,533
Boy Scout Scholarship	29,344	28,344
NEF Fund Income	140	-
ROTC Scholarship	20,021	14,561
Special Veterans Hospital Fund	125,737	106,537
Nurses Scholarship Fund	98,104	98,204
Oratorical Fund	17,260	16,960
American Legion Memorial Fund	60,709	61,709
Boys State Program	219,029	194,044
Minnesota Disaster Relief Fund	54,601	51,301
Boys Scout Council Assist Fund	41,435	38,705
Commanders Project Income	-	430
Auxiliary Gambling Fund	660	660
Legacy Scholarship Fund	440	7,297
Veterans Assistance Outdoor Fund	79,297	102,217
Rehab Veterans Outdoor Fund	25,431	15,607
JR Shooting Sports Fund	8,825	-
100th Anniversary Fund Income	950	-
Total Temporarily Restricted	<u>\$ 894,179</u>	<u>\$ 842,756</u>

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 4 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

Net assets were released during the years ended September 30, 2016 and 2015 as a result of meeting the following purposes:

	<u>2016</u>	<u>2015</u>
American Legion Baseball Fund	\$ 43,205	45,591
Fund for Hospitalized Vets	11,853	11,756
Boy Scout Scholarship Fund	-	1,000
ROTC Scholarship	3,375	4,125
Special Veterans Hospital Fund	20,737	11,030
Nurses Scholarships	3,500	3,500
Oratorical Fund	4,700	3,800
American Legion Memorial Fund	3,000	3,000
Boys State Program	86,464	102,619
Dept CDR's Project	29,965	43,705
Auxiliary Gambling Fund	51,254	45,250
Legacy Scholarship Fund	148,368	103,755
Veterans Assistance Outdoor Fund	25,000	-
Rehab Veterans Outdoor Fund	11,468	32,646
Total Releases	<u>\$ 442,889</u>	<u>\$ 411,777</u>